

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2910-01  
Bill No.: HB 1061  
Subject: Health Care; Health Care Professionals; Health, Public; Insurance - Medical  
Type: Original  
Date: February 11, 2002

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
General Revenue	(\$746,814 to Unknown)	(\$281,199,795 to Unknown)	(\$562,399,589 to Unknown)
County Insurance Tax	\$0	(\$12,500,000)	(\$25,000,000)
Insurance Dedicated	\$0	(\$63,964)	(\$127,927)
Conservation	\$0	(\$1,720,000)	(\$3,440,000)
Highway	\$0	(\$2,271,279)	(\$4,536,920)
Missouri Health Care Trust	\$0	(Unknown)	(Unknown)
Health Professional Education and Training	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$746,814 to Unknown)</b>	<b>(\$297,755,038 to Unknown)</b>	<b>(\$595,504,436)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Federal funds	\$0	Unknown	Unknown
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>Unknown</b>	<b>Unknown</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	(Unknown)	(Unknown)

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 18 pages.

#### FISCAL ANALYSIS

#### ASSUMPTION

This proposal would become effective if approved by the voters in the general election to be held on the Tuesday following the first Monday in November, 2002. Section A of this proposal would become effective April first of the year following notice to the revisor of statutes that a waiver had been obtained from the Secretary of the United States Department of Health and Human Services. The health premium surcharge and the income tax surcharge would apply to all tax years beginning on or after January first of the year following receipt of notice that appropriate waivers had been obtained. The small employer tax credits would apply to five consecutive tax years beginning on or after January first of the first year following notice by the revisor of statutes that appropriate waivers had been obtained.

Officials from the **Office of Administration**, the **Division of Budget and Planning**, the **Department of Health and Senior Services**, the **Department of Economic Development - Division of Professional Registration**, **Harris-Stowe College** and the **Office of the State Courts Administrator** assume this proposal would not fiscally impact their agencies.

The **Department of Insurance (INS)** officials state this legislation would eliminate health insurance through companies. This would result in a decrease in premium tax revenue that is split 50/50 between GR and County Foreign Insurance. County Foreign Insurance funds are later distributed to school districts.

INS states the 2% premium tax assessed and collected from private insurers on health and accident insurance policies would be lost due to the single payer system. INS estimates that in fiscal year 2000, over \$50 million in premium taxes were from accident and health insurance policies. These revenues would be lost if legislation is implemented. INS would also be required to pay the health premium surcharge of 12% on its employees. FY03 personal services appropriations are estimated at \$5,073,276 from Insurance Dedicated Fund. Surcharge of 12% would be a cost of \$608,793. INS costs for insurance was approx. 9.5% of salaries for FY01(\$481,961). Additional cost to INS as a results of legislation would be \$127,832 from Insurance Dedicated Fund.

Officials from the **Missouri Department of Conservation (MDC)** state that this proposed

ASSUMPTION (continued)

legislation appears to have significant impact on MDC funds because of a 12% surcharge on total wages paid by MDC. The estimated fiscal impact on MDC based on current salaries and wages would be approximately \$3.44 million.

The **Department of Mental Health (DMH)** assumes that Title XVIII and Title XIX money will now be deposited into the Missouri Health Care Trust Fund rather than General Revenue Fund or the Federal Fund. For fiscal note purposes, DMH assumes that all money they currently deposit into these funds would be deposited into the Missouri Health Care Trust Fund. In FY01, DMH recovered \$220,157,216 (\$185,527,214 GR and \$34,630,002 Federal). DMH states that this proposal does not represent a loss of funds to the state. Instead, these funds would be used to provide medical services to persons through the Missouri Health Care Trust Fund. If the program chooses DMH as a provider of services, the fiscal impact to DMH would depend on the payments made to them under the new plan in relation to current general revenue funding. If the program chooses not to utilize DMH as a provider, there could be a loss of funding to the department. DMH assumes that COA will include the employer surcharge in their fiscal note impact for all state employees.

**Southwest Missouri State University (SMSU)** officials estimate they would expect to incur a cost of \$11,009,495 for the health care surcharge described in this proposal. SMSU currently pays \$6,205,881 to cover its employees' health care insurance. Therefore, SMSU assumes this proposal would result in additional annual costs of approximately \$4,803,614.

Officials from **Department of Transportation (DHT)** assume that this legislation will require DHT to participate in the Missouri Universal Health Assurance Program. It would require DHT to pay a surcharge of 12% of total payroll to cover our employees enrollment in the program. DHT also assumes that the Highway and Patrol Medical Plan will no longer be needed.

DHT assumes the effective date is January 1, 2004 due to this legislation going to the vote of the people in November, 2002. Once passed, the board must apply for waivers from the Federal Government. Not until the January of the year following the receipt of these waivers from the Federal Government is the legislation effective. DHT assumes it is unlikely that these waivers will be received during their application year of 2002 but will actually be received in 2003. Therefore, the program will begin collecting surcharges the following calendar year (2004). However, due to the timing of the fiscal year, FY2004 will only show an impact for 6 months (January to June).

To compute the surcharge, DHT's FY01 payroll of \$241,511,887 was increased by an inflation

rate of 2.5% for each year and then multiplied by 12%. MoDOT employees are paid from the General Revenue, Federal, Highway, State Transportation Fund and Aviation Trust Fund. DHT assumes the 12% surcharge to fund this legislation will come from these various funds and

ASSUMPTION (continued)

therefore, this legislation will impact these funds for FY04 as follows: General Revenue, \$18,752; Federal, \$29,247; Highway, \$15,533,739; State Transportation, \$2,814; and Aviation Trust Fund, \$20,361.

DHT also assumes that the Highway and Patrol Medical Plan will no longer be needed. To compute the estimated appropriation request of \$27,444,451 for the medical plan in FY04, DHT inflated the FY02 appropriation amount of \$25,373,938 by 4% per year. DHT assumes since the plan will no longer be needed, this represents a cost savings. The cost savings for FY04 are as follows: General Revenue, \$16,489; Federal, \$25,719; Highway, \$13,659,639; State Transportation, \$2,474; and Aviation Trust, \$17,904.

Additionally, DHT states based on the assumption that the Highway and Patrol Medical Plan will no longer be needed, there will be a potential reduction in staff of approximately 50% which totals \$150,000 for a full year. However, DHT assumes the reduction would occur through attrition and therefore, no exact titles can be provided. There will also be an estimated expense and equipment savings of \$10,000 for a full year related to the reduced staff.

**Oversight** has presented the fiscal impact for the Highway Fund only as the fiscal impact on General Revenue, Federal, Aviation, and State Transportation were minimal.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state that MHP employees are paid from the General Revenue, Highway, Gaming, and other smaller funds. MHP assumes the 12% surcharge to fund this legislation will come from these various funds and therefore, this legislation will impact these funds for FY04 as follows: General Revenue, \$987,430; Highway, \$7,794,287; and all other funds \$774,711. MHP assumes that the Highway and Patrol Medical Plan will no longer be needed. The current state share contributed to the Highway and Patrol Medical Plan is as follows: General Revenue, \$566,821; Highway, \$4,902,274; and all other funds, \$401,398. Therefore, the additional costs are as follows: General Revenue, \$420,609; Highway, \$2,892,014; and all other funds, \$373,313.

**Oversight** has presented the fiscal impact for the General Revenue and Highway funds only as the other funds were minimal.

The **Department of Labor (DOL)** assumes under this proposed legislation the cost would be \$4,752,527. The calculation is as follows: FY 2001 payroll \$39,604,391 X 12% proposed tax. **Oversight** assumes the Office of Administration will calculate the increased benefit cost for all

state employees.

**Central Missouri State University** officials assume this proposal would result in unknown increased costs.

ASSUMPTION (continued)

The **Department of Elementary and Secondary Education (DES)** assume that salaries which would be paid in FY01 would be \$81,631,270, resulting in an employer surcharge of \$9,795,752. DES states the rate of reduction of the workers' compensation insurance is not stated; therefore, the net fiscal impact cannot be estimated. However, DES estimates that costs will exceed \$100,000. **Oversight** assumes the Office of Administration will calculate the increased benefit costs for all state employees.

Officials from the **Office of Secretary of State (SOS)** state this proposal creates the Missouri Universal Health Assurance Program, the Missouri Health Care Trust Fund and the Health Professional Education and Training Fund which requires the Board of Governors for the Missouri Universal Health Assurance Program and the Department of Revenue to promulgate rules to implement the proposal. SOS states based on experience with others divisions, the rules, regulations and forms issued by the Board and the Department could require as many as approximately 36 pages in the Code of State Regulations. For any given rule, SOS states roughly one-half again as many pages are published in the Missouri Register as are published in the Code because of cost statements, fiscal notes and notices that are not published in the Code. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual costs could be more or less than the numbers given (\$2,214). The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.

SOS did not comment on the cost of the election associated with this proposal. **Oversight** assumes costs would be similar to those in a similar proposal from the previous session. Based on actual publications costs of the November, 1998 election, SOS estimated publication costs on a thirty page proposal to be approximately \$744, 600. These costs would be paid from general revenue. SOS also noted that if the governor calls a special election, the fiscal impact could exceed \$1,000,000, depending on the date of the special election.

**Truman State University** officials report that the 12% surcharge would result in costs of \$4,083,643 annually. The cost of its current plan is \$2,726,315 for an increased cost of \$1,357,328.

The **Department of Social Services - Division of Medical Services (DMS)** assumes the population (Medicaid) would be the same whether they were served by the new entity or

contracted to DMS to administer. DMS assumes the institutional care would remain constant regardless of the administering agency. To the contrary, independent providers would be reimbursed on a fee-for-service schedule that is anticipated to represent usual and customary charges (UCR). DMS assumes costs would increase because current Medicaid reimbursement for non-institutional providers in many cases represents less than UCR. For example, dental ambulance, and physician reimbursement is currently paid at less than UCR. If the negotiated

ASSUMPTION (continued)

reimbursement were to reflect 75% to 100% of UCR, DMS anticipates that additional costs of approximately \$120,400,000 to \$177,900,000 would be realized. This was derived through calculating the difference between current reimbursement for the dental, ambulance and physician programs and the cost for these services at 75% to 100% of UCR. A dental program fee increase decision item was developed for the FY 03 budget in which procedures were identified by current Medicaid reimbursement and UCR. This resulted in a difference of approximately \$22,200,000 to \$29,700,000. A physician program fee increase decision item was developed for the FY 03 budget. An increase of \$92,200,000 to \$142,200,000 would be needed to bring physician fees up to 75% to 100% of UCR. Similarly, and ambulance fee increase was developed and requested in the FY 98 budget in which Medicaid rates were compared to Medicare (UCR) rates and resulted in \$6,000,000.

The loss of the advantage of competitively bidding managed care contracts would result in additional costs of over \$21,800,000 or five percent of current Missouri Care Plus (MC+) payments. DMS cannot arrive at an actual dollar increase to Medicaid; however, they estimate an increase exceeding \$100,000,000 annually. No impact for FY 02 is anticipated due to the time frames involved in waiver applications and implementations. No cost to DSS is associated with the DSS director serving on the Board of Governors, as all expenses would be paid from the Health Care Trust Fund.

**Oversight** notes that based on DOS FY 02 budget for the Medicaid vendor payments and managed care through Medicaid was \$4,371,26,1275. For fiscal note purposes, Oversight has represented **unknown** costs associated with personal services and expense and equipment for DMS as being saved by the state because the state's Medicaid program as it now exists would no longer be in place. Depending on the provisions of the waivers, if obtained, some of the functions of the DMS could be required to be performed by the Missouri Universal Health Assurance Program.

**Missouri Consolidated Health Care Plan (HCP)** state this proposal requires employers with more than 499 employees to pay 12% of payroll into the insurance fund. The state contribution for employee health care would fall into this category. HCP estimates that the first year cost of this program could be a savings of \$57,774,417 for the state. The fiscal impact for the Public

Entities for the first year could be \$16,115,442. HCP states the projected 2002 gross annual payroll for HCP covered departments and agencies (not including Missouri Department of Transportation and Conservation) is \$1,497,387,227. The proposal would require the state to contribute 12% of payroll, or  $\$1,497,387,227 \times 12\% = \$179,686,467$ . HCP states this amount represents the state contribution. It does not include any employee contribution that is covered under the employee surcharge section of the proposal and is assessed based upon a tax formula applied against adjusted gross earnings. The state contribution under this proposal is \$57,774,417 less than the current state contribution and administration expense of \$237,460,884.

ASSUMPTION (continued)

The HCP estimates the calendar year Public Entity costs could be \$32,230,884. The HCP estimates Public Entity payroll to be \$201,443,025. **Oversight** will present costs to Public Entities as unknown since Public Entity payroll information is not available.

HCP notes 12% is not sufficient to sustain the program based on HCP actual cost of providing insurance. HCP also notes no administration costs were included with the figures. HCP notes while the state's payroll for members covered by the HCP has actually decreased (thus lowering the revenues) the actual cost of providing services has increased approximately 25%. HCP states these additional costs would become the full responsibility of the members.

The **Office of Administration (COA)** states as central payroll processor for state employees, COA would be required to modify COA's payroll system to withhold and report the employee health premium surcharge. COA states the legislation indicates that the Board can adjust the employer rates and employee surcharge rates as needed to cover the program costs. Since the current level of funding for HCP is approximately 16% of wages from the state plus the employee share, the current 12% appears to be much less than required to fund the plan. COA anticipates significant increases in the employer share percentage and the employee surcharge to meet current and future health costs.

COA states FY 2001 personal service (all funds) was \$3,319,313,497. Employee health premium surcharge of 12% would be \$398,317,620. **Oversight** notes that this is \$351,451,766 without DHT, MDC and MHP which will be presented separately. Annual cost of employer share for current plan - HCP is projected to be approximately \$216,000,000.

COA states cost of reprogramming current employer payroll systems to withhold and report employee surcharge is unknown. The costs would be driven by how the Department of Revenue requires the monies to be withheld and reported in conjunction with normal state income tax withholding. COA anticipates that this would be a major expense for the state and all other employers.

COA did not comment on the estimated premium tax that would be collected from all Missouri employers or Missouri individuals. However, **Oversight** notes in a similar proposal from last year, COA estimated the premium tax on all Missouri employers would generate revenues of \$5,685,000,000 for the Health Care Trust Fund and \$690,000,000 from Missouri individuals.

Officials from the **Department of Revenue (DOR)** state this proposal has no fiscal impact to the DOR. DOR assumes costs for the plan will be completed by OA Budget and Planning.

**Oversight** notes in a response to a similar fiscal note from three previous sessions, DOR estimated an impact of approximately \$5,500,000 per year. DOR assumed they would need

ASSUMPTION (continued)

additional FTE within the Division of Taxation and Collection, and outside contractors to implement this proposal. DOR assumes the Central Processing Bureau would need fourteen Clerks I for mail extraction and to pre-sort the 1.3 million employer forms and 2.4 million returns; and two clerks I to operate two new remittance processors.

DOR assumed the Tax Administration Bureau would require six Tax Processing Technicians I to work with withholding errors and twelve Tax Processing Technicians to work with individual return type errors for the expected 20% error rate.

DOR assumed the Collections Bureau would require eighteen Tax Processing Technicians I to be responsible for processing correspondence, bankruptcy claims, and petitions, and handling incoming and outgoing telephone calls associated with billings and non-filer notices. The Collections Bureau would also need four Clerks I to support the Tax Processing Technicians, eight Tax Service Representatives I to pursue delinquent and non-filer employers, and one Clerk I to support these additional FTE.

DOR assumed the Information Systems Division would need three Programmer Analysts II to be responsible for new programming and maintenance of programs, and one Senior System Analyst to supervise the Programmer Analysts and contract programmers. Contract programmers would also be needed for 550 hours for two years. **Oversight** will assume an unknown cost for DOR personal service, fringe benefits and expense and equipment.

Officials from the **Department of Higher Education (CBH)** assume the impact of this legislation on CBH and higher education institutions is unknown.

Officials from the **Department of Corrections (DOC)** state that it is unknown what fiscal impact, if any, passage of this bill would have for the DOC. It is unclear whether offenders incarcerated within DOC would fall under the auspices of this bill. Inmates are not excluded as



'residents' of Missouri in the language of this bill and therefore appear to be covered under this assurance program for medical and mental health services. They are counted as Missouri residents in the national census taken every 10 years. If indeed they are covered, it is likely that jails and mental health clients would qualify as well. In that instance, DOC would have a significant positive fiscal impact if this bill were passed as law.

It is also unknown what health standards may be imposed by the program. If these standards exceed NCCHC standards for accreditation, the level of inmate care would similarly increase, therefore raising expenses for the department .

Officials from the **Department of Natural Resources (DNR)** state DNR had 2,060 FTE's in FY 02. Based upon a FY 02 Personal Service Budget of \$69,169,034, a 12% surcharge would be

ASSUMPTION (continued)

\$8,300,284. **Oversight** assumes the Office of Administration will calculate the increased benefit costs for all state employees.

For purposes of this fiscal note, **Oversight** assumes:

1. Should the proposal be approved by the voters in a general election in November, 2002,
2. the health premium surcharge on employers and the individual income tax surcharge would be levied on the wages paid or received in the taxable year beginning January 1, 2004.
3. In accordance with projections made by DOS officials, the waiver which would be required by this proposal would become effective prior to January, 2004, and the federal financial participation for Medicaid and Medicare would begin to accrue to the plan at that time.
4. In accordance with the provisions of this proposal, the Missouri Universal Health Care Plan would become effective on April 1, 2004.
5. The state would pay both the surcharge and premiums for health care coverage for employees from January 1, 2004, to April 1, 2004. Further, all state-financed insurance plans would be dropped as of April 1, 2004.
6. Expenditures for health care in Missouri are in line with those across the United States. The Health Care Financing Administration states that the per capita expenditure for health care in the United States was \$3,800 in 1997 and can be used as a basis for

projecting statewide costs. The 2000 census of Missouri's population was 5,595,211. Further, increases in health care costs since 1993 have been approximately 5% annually.

7. Health care costs which would be covered by the plan and are currently paid by state agencies from a number of funds which would accrue to the Missouri Health Care Trust Fund and be saved by the current fund. Further, these costs would be included in projections made based on per capita cost of health care. Agencies affected would include the Department of Elementary and Secondary Education, Department of Corrections, Department of Labor, Department of Health, Department of Mental Health, etc. The 12 % employer surcharge tax for health care premiums for the Departments of Conservation, Transportation, and Missouri State Highway Patrol will be presented separately. The 12% surcharge for the rest of the state employees will be presented under the Office of Administration.

ASSUMPTION (continued)

8. After April 1, 2004, growth in health care expenditures would be limited to "2% above the total percentage increase in the state's gross domestic product for the previous year".
9. Because it is not specifically mentioned to the contrary in this proposal, Workman's Compensation would continue to exist.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**GENERAL REVENUE FUND**

<u>Income</u> - Department of Social Services			
Medicaid reimbursements	\$0	Unknown	Unknown

<u>Savings</u> - Department of Social Services			
Possible elimination or cutback in Division of Medical Services	\$0	Unknown	Unknown

<u>Savings</u> - Missouri Consolidated Health Care Plan			
Possible elimination or cutback	\$0	Unknown	Unknown

Savings - Department of Health and  
Senior Services

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Senior Rx Program—possible elimination or cutback	\$0	Unknown	Unknown
<u>Loss - Department of Insurance</u> Insurance premium tax	\$0	(\$12,500,000)	(\$25,000,000)
<u>Loss - Department of Mental Health</u> Medicaid reimbursements	\$0	(\$92,763,607)	(\$185,527,214)
<u>Costs - Department of Public Safety</u> Missouri State Highway Patrol Fringe Benefit surcharge	\$0	(\$210,305)	(\$420,609)
<u>Costs -Office of Administration</u> Personal service, fringe benefits and expense and equipment costs for reprogramming the current payroll system	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Department of Revenue</u> Personal Service, fringe benefit and expense and equipment costs to process additional employee and employer forms	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Secretary of State</u> Election costs	(\$746,814)	\$0	\$0
<u>Costs - Office of Administration</u> Fringe benefit surcharge for state employees other than DOC, DHT, and MHP	\$0	(\$175,725,883)	(\$351,451,766)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>(\$746,814 to Unknown)</u></b>	<b><u>(\$281,199,795 to Unknown)</u></b>	<b><u>(\$562,399,589 to Unknown)</u></b>

FISCAL IMPACT - State Government

FY 2003  
 (10 Mo.)

FY 2004

FY 2005

**\*Does not include possible income  
 and/or cost for Medicaid  
 reimbursements from the Department  
 of Social Services, Division of  
 Medical Services**

**COUNTY INSURANCE TAX FUND**

Loss - Department of Insurance

Insurance premium tax

\$0

(\$12,500,000)

(\$25,000,000)

**ESTIMATED NET EFFECT ON  
 COUNTY INSURANCE TAX FUND**

**\$0**

**(\$12,500,000)**

**(\$25,000,000)**

**INSURANCE DEDICATED FUND**

Costs - Department of Insurance

Fringe benefit surcharge

\$0

(\$63,916)

(\$127,832)

**ESTIMATED NET EFFECT ON  
 INSURANCE DEDICATED FUND**

**\$0**

**(\$63,916)**

**(\$127,832)**

**CONSERVATION FUND**

Costs - Department of Conservation

Fringe benefit surcharge

\$0

(\$1,720,000)

(\$3,440,000)

**ESTIMATED NET EFFECT ON  
 CONSERVATION FUND**

**\$0**

**(\$1,720,000)**

**(\$3,440,000)**

**HIGHWAY FUND**

Savings - Department of Transportation

Medical plan staff elimination

Personal service (3 FTE)

\$0

\$75,000

\$153,750

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Fringe benefits	\$0	\$31,778	\$65,144
Expense and Equipment	<u>\$0</u>	<u>\$5,000</u>	<u>\$10,300</u>
Total Savings	\$0	\$111,778	\$229,194
 <u>Costs - Department of Transportation</u>			
Fringe benefit surcharge	<u>\$0</u>	(\$937,050)	(\$1,874,100)
 <u>Costs - Department of Public Safety-</u>			
Missouri State Highway Patrol			
Fringe benefit surcharge	\$0	<u>(\$1,446,007)</u>	<u>(\$2,892,014)</u>
 <b>ESTIMATED NET EFFECT ON HIGHWAY FUND</b>	<b><u>\$0</u></b>	<b><u>(\$2,271,279)</u></b>	<b><u>(\$4,536,920)</u></b>

## **MISSOURI HEALTH CARE TRUST FUND**

<u>Income - Office of Administration</u>			
Employer premium tax*	\$0	\$2,842,500,000	\$5,685,000,000
Individual surcharge tax	<u>\$0</u>	<u>\$345,000,000</u>	<u>\$690,000,000</u>
Total Income - Office of Administration	\$0	\$3,187,500,000	\$6,375,000,000

**\*Includes premium tax paid by the  
state for all state employees**

<u>Income - Department of Social Services</u>			
Medicaid Reimbursements	\$0	Unknown	Unknown
 <u>Income - Department of Mental Health</u>			
Medicaid and Medicare reimbursements	\$0	\$110,078,608	\$220,157,216

Costs - Missouri Health Care Trust Fund  
 The plan could become effective on April  
 1, 2004, at which time costs to administer

FISCAL IMPACT - State Government

FY 2003  
 (10 Mo.)

FY 2004

FY 2005

the plan (staff, Board of Governor's expense, Regional Advisory Council expenses, etc.) and to provide health care benefits at costs, which would be negotiated by the Board of Governors as specified in the proposal, would be borne by the Fund. Using HCFA per capita, 2000 census figures for Missouri and 5% annual increases in health care costs, it is projected that expenditures from the Fund for benefits would equal \$7,479,372,575 for the three months in FY 2004. Administrative costs would be capped at four percent of the income generated from the various sources. A reserve equal to expenditures in the preceding three months would be required.

**ESTIMATED NET EFFECT ON  
 MISSOURI HEALTH CARE TRUST  
 FUND\***

\$0    (UNKNOWN)    (UNKNOWN)

**\*Does not include possible income  
 and/or costs for Medicaid  
 reimbursements from the Department  
 of Social Services - Division of Medical  
 Services.**

**HEALTH PROFESSIONAL  
 EDUCATION AND TRAINING FUND**

Income

Federal government and other	\$0	Unknown	Unknown
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Costs

Personal services, expense and equipment	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON**

CM:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>HEALTH PROFESSIONAL EDUCATION AND TRAINING FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>FEDERAL FUNDS</b>			
<u>Savings</u> - Department of Social Services Possible elimination or cutback in Division of Medical Services	\$0	Unknown	Unknown
<u>Loss</u> - Department of Social Services Medicaid funding	\$0	(Unknown)	(Unknown)
<u>Loss</u> - Department of Mental Health Medicaid reimbursemetns	<u>\$0</u>	<u>(\$17,315,000)</u>	<u>(\$34,630,002)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>ALL LOCAL GOVERNMENTS</b>			
<u>Savings</u> - All Local Governments Health insurance programs	\$0	Unknown	Unknown
- All Local Governments Fringe benefits	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they would incur additional administrative costs and additional payroll tax expense due to the requirements of this proposal.

DESCRIPTION

CM:LR:OD (12/01)

This legislation submits to the voters of the state a proposal for the Missouri Universal Health Assurance Program, a single, publicly-financed statewide health insurance program. A board of governors composed of 19 members will administer the program and is required to establish the program's policy and budget, control capital expenditures, set fee schedules, approve coverage offered by the program, conduct utilization review, and employ staff. The board will be assisted in its policy development activities by advisory councils in six regional health policy planning and development districts to be designated by the Director of the Department of Health. The board and the advisory councils must annually develop a comprehensive state health care plan.

Funding for the comprehensive health care plan is administered by the board through the Missouri Health Care Trust Fund. Allocations to the fund include all federal payments received from waivers granted under health care programs established by the Social Security Act, appropriations by the General Assembly to the program, health premium surcharges paid by all employers, and health premium surcharges paid by employees based on Missouri adjusted gross income. The surcharge paid by employers is calculated as a percentage of the total amount paid in wages by the employer. The percentage ranges from 5% for employers with fewer than five employees to 12% for employers with 500 or more employees. Surcharges paid by resident individuals range from 1.2% on Missouri adjusted gross income of more than \$5,000 up to \$25,000 to \$1,425 plus 3.6% on Missouri adjusted gross income of more than \$100,000. The

#### DESCRIPTION (continued)

proposal establishes a tax credit for employers that employ 25 or fewer employees.

Every Missouri resident, regardless of pre-existing conditions, is entitled to receive covered services under the program if the service is deemed by the patient and participating provider to be

necessary for the maintenance of physical and mental health. Cosmetic surgery, medical examinations conducted for obtaining life insurance or participating in a civil action, and custodial care rendered in a nursing home are specifically excluded from coverage. The program will reimburse institutional providers of inpatient services through a budget negotiated by the provider to cover its anticipated services. The program will reimburse independent providers of health care services based on a fee schedule negotiated annually with a professional association chosen by the members of each health care profession.

The provisions of the proposal become effective only upon approval by the voters of the state and then on April 1 of the year following notice to the Revisor of Statutes that the Department of Social Services has obtained a waiver from the Secretary of the U. S. Department of Health and Human Services.

This legislation is not federally mandated, would not duplicate any other program and would not



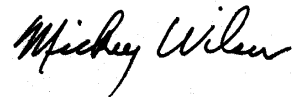
require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Office of Administration -  
    Division of Budget and Planning  
Department of Health and Senior Services  
Department of Economic Development -  
    Division of Professional Registration  
Office of the State Courts Administrator  
Department of Insurance  
Missouri Department of Conservation  
Department of Mental Health  
Southwest Missouri State University  
Department of Transportation  
Department of Public Safety -  
    Missouri State Highway Patrol  
Department of Labor  
Central Missouri State University  
Department of Elementary and Secondary Education

Office of Secretary of State  
Truman State University  
Department of Social Services -  
Division of Medical Services  
Missouri Consolidated Health Care Plan  
Department of Higher Education  
Office of Administration  
Department of Revenue  
Harris-Stowe College  
Department of Corrections  
Department of Natural Resources

**Not Responding: Missouri Western College**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
February 11, 2002